



STATE OF WASHINGTON

OFFICE OF THE FORECAST COUNCIL

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September 11, 2002

TO: Senator Sid Snyder, Chair
Senator Dino Rossi
Representative Jack Cairnes
Representative Jeff Gombosky
Marty Brown, OFM, Director
Will Rice, DOR, Acting Director

FROM: Chang Mook Sohn, Executive Director
Office of the Forecast Council

SUBJECT: September 10, 2002 REVENUE COLLECTION REPORT

General Fund-State collections were \$29.6 million higher than expected in the August 11th to September 10th collection period. For the month, higher than expected revenue act (retail sales, use, business and occupation, public utility and tobacco products taxes) and estate tax receipts account for most of the higher than expected collections. Cumulatively, tax payments are now \$51.0 million (2.1 percent) higher than expected for the three months since the June 2002 forecast. The majority of the \$51.0 million cumulative variance is due to higher than expected Non Revenue Act receipts, primarily estate, property and real estate excise tax payments. While the positive variance is welcomed news, the composition of the variance (more than half from revenue sources not directly linked to the level of economic activity) and the volatility of monthly receipts does not necessarily mean that the economy is significantly better than expected. While hopefully the worst of the downturn is behind us, a weaker national outlook and contracting state employment suggests that the pace of the recovery may be slower than previously expected which may translate into slower revenue growth in future months.

Revenue Act sources exceeded the estimate for the current period (primarily July 2002 business activity) by \$18.7 million and were \$20.6 million higher than expected in the three months since the June forecast. Revenue Act receipts this period were up 2.6 percent from a year-ago, after adjusting for special factors. This is clearly an improvement from last month's 4.5 percent decline. Revenue act receipts are down 0.9 percent in the first seven months of calendar 2002, after dropping about 2.5 percent the last six months of calendar year 2001. Despite its weakness, revenue growth is actually a

little stronger than expected. Record low interest rates have kept consumers spending especially on autos and other durable goods, helping to offset weak business investment spending.

Preliminary data on excise taxes paid during the August 11th to September 10th collection period again shows relatively healthy retail trade sector. Taxes paid by retailers were about 6.0 percent above the year-ago level, with most major sub-sectors showing an increase. Within retailing, auto dealers/gas stations and building materials/hardware stores reported double-digit increases. Non retailing sectors continue to show weakness. As a whole, taxpayers in non-retailing industries reported a 1.1 percent decline in tax payments. The construction, manufacturing, wholesaling and finance, insurance and real estate sectors reported lower tax payments than a year-ago.

Other General Fund taxes collected by the Department of Revenue were \$10.8 million above the estimate for the month boosting the cumulative three month variance to \$29.5 million for these sources. Higher than expected estate tax and real estate excise tax receipts account for most this month's positive variance. Cumulatively, the variance is primarily due to estate, real estate excise and property (state levy) payments. With the exception of the real estate excise tax, most Non Revenue Act sources are not closely linked to the level of economic activity. Estate tax payments are very volatile on a monthly basis and this month's large positive variance is due to an unusually large payment. The cumulative property tax variance may be due to a change in the timing of property tax payments, (which means that most of the variance will be offset in later months.) Or it may reflect a higher percent of the current levy is being paid timely than was assumed (which means a permanent revenue gain.) Since this variance has persisted for several months, the later explanation may be more likely.

Real estate payments statewide were a little higher than the estimate for the month and are \$2.6 million higher than expected in the three months since the June forecast. The real estate market continues to be a bright spot in the economy. Despite the weak economy, real estate activity improved last month, fueled by record low mortgage rates. Statewide taxable real estate activity increased 7.0 percent in July (July closings reflecting payments to the state in August.) Activity was up 1.8 percent last month and is up 2.1 percent for the first seven months of calendar year 2002. The number of transactions increased 3.8 percent in July and are up 5.0 percent for the year-to-date. The taxable value per transaction also was positive in July, up 3.1 percent but remains 2.5 percent below the year-ago level for the year-to-date.

Department of Licensing General Fund collections were \$0.1 million above the forecast in August and are \$0.9 above the estimate for the three months since the last forecast.

The attached Table 1 provides a comparison of collections with estimates for the current midmonth period, August 11- September 10, and cumulatively since our last forecast. Table 2 compares revised collection figures to the preliminary numbers reported in last month's midmonth report. Note, beginning last year, a portion of the property tax (state levy) is transferred to the student achievement account in the month of August. The

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property tax estimate/actual for August 2002 shows the total state levy receipts, the transfer to the Student Achievement Account and the net to the General Fund.

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Attachments

TABLE 1
Revenue Collection Report
September 10, 2002 Collections Compared to the June 2002 Forecast
Thousands of Dollars

<u>Period/Source</u>	<u>Estimate*</u>	<u>Actual</u>	<u>Amount</u>	<u>Difference</u> <u>Percent</u>
August 11 - September 10, 2002				
Department of Revenue-Total	\$575,664	\$605,177	\$29,513	5.1%
Revenue Act** (1)	638,309	657,028	18,719	2.9%
Non-Revenue Act(2)	(62,645)	(51,852)	10,793	-17.2%
Liquor Sales/Liter	7,460	7,885	425	5.7%
Cigarette	4,813	4,703	(109)	-2.3%
Property (State School Levy)	(127,156)	(126,672)	484	-0.4%
Estate	6,390	18,024	11,634	182.1%
Real Estate Excise	37,939	39,311	1,372	3.6%
Timber (state share)	1,110	1,977	867	NA
Other	6,799	2,920	(3,879)	-57.0%
Department of Licensing (2)	1,216	1,316	100	8.2%
Lottery (5)	0	0	0	NA
Total General Fund-State***	\$576,880	\$606,493	\$29,613	5.1%
Cumulative Variance Since the June Forecast (June 11 - September 10, 2002)				
Department of Revenue-Total	\$2,446,147	2,496,226	50,079	2.0%
Revenue Act** (3)	2,053,230	2,073,856	20,626	1.0%
Non-Revenue Act(4)	392,917	422,370	29,453	7.5%
Liquor Sales/Liter	22,091	22,848	757	3.4%
Cigarette	15,178	14,742	(436)	-2.9%
Property (State School Levy)	174,906	184,770	9,864	5.6%
Estate	18,480	33,871	15,391	83.3%
Real Estate Excise	117,053	119,712	2,659	2.3%
Timber (state share)	1,110	1,977	867	NA
Other	44,099	44,451	351	0.8%
Department of Licensing (4)	9,038	9,926	888	9.8%
Lottery (5)	0	0	0	NA
Total General Fund-State***	\$2,455,184	\$2,506,152	\$50,967	2.1%

1 Collections August 11 - September 10, 2002. Collections primarily reflect July 2002 activity of monthly taxpayers.

2 August 1-31, 2002 collections.

3 Cumulative collections, estimates and variance since the June 2002 forecast; (June 11-September 10, 2002) and revisions to history.

4 Cumulative collections, estimates and variance since the June 2002 forecast;(June - August 2002) and revisions to history.)

* Based on the June 2002 economic and revenue forecast.

**The Revenue Act consists of the retail sales, B&O, use, public utility, tobacco products taxes, and penalty and interest.

*** Detail may not add due to rounding. The General Fund-State total in this report includes only collections from larger state agencies: the Department of Revenue and the Department of Licensing.

TABLE 2
August 10, 2002 Collection Report - Revised Data
Thousands of Dollars

<u>Period/Source</u>	<u>Collections</u>		<u>Difference</u>	
	<u>Preliminary</u>	<u>Revised</u>	<u>Amount</u>	<u>Percent</u>
July 11 - August 10, 2002				
Department of Revenue-Total	\$854,896	\$854,896	(\$0)	-0.0%
Revenue Act (1)	772,182	772,182	(0)	-0.0%
Non-Revenue Act(2)	82,714	82,714	0	0.0%
Liquor Sales/Liter	7,267	7,267	0	0.0%
Cigarette	4,407	4,407	(0)	-0.0%
Property (State School Levy)-net	9,137	9,137	(0)	-0.0%
Property tax collections	9,137	9,137	(0)	-0.0%
transfer to the Student Achievement Acct.	0	0	0	ERR
Estate	9,200	9,200	(0)	-0.0%
Real Estate Excise	41,587	41,587	0	0.0%
Timber (state share)	0	0	0	NA
Other	11,116	11,116	0	0.0%
Department of Licensing (2)	2,995	2,986	(9)	-0.3%
Lottery (2)	0	0	0	NA
Total General Fund-State***	\$857,891	\$857,882	(\$9)	-0.0%

Cumulative Receipts: June 11 - August 10, 2002 & Revisions to History

Department of Revenue-Total	1,891,049	\$1,891,049	\$0	0.0%
Revenue Act (3)	1,416,827	1,416,827	0	0.0%
Non-Revenue Act(4)	474,222	474,222	(0)	-0.0%
Liquor Sales/Liter	14,963	14,963	0	0.0%
Cigarette	10,038	10,038	0	0.0%
Property (State School Levy)-net after transfer	311,442	311,442	0	0.0%
Property tax collections	311,442	311,442	0	0.0%
transfer to the Student Achievement Acct.	0	0	0	NA
Estate	15,847	15,847	(0)	-0.0%
Real Estate Excise	80,401	80,401	(0)	-0.0%
Timber (state share)	0	0	0	NA
Other	41,530	41,530	0	0.0%
Department of Licensing (4)	8,619	8,609	(10)	-0.1%
Lottery (4)	0	0	0	NA
Total General Fund-State***	\$1,899,668	\$1,899,659	(\$9)	-0.0%

P-Preliminary. Reported in the August 10, 2002 collection report.

R Revised data.

1 Collections July 11 - August 10, 2002. Collections primarily reflect June 2002 business activity of monthly taxpayers and April-June activity of quarterly filers.

2 July 1-31, 2002 collections.

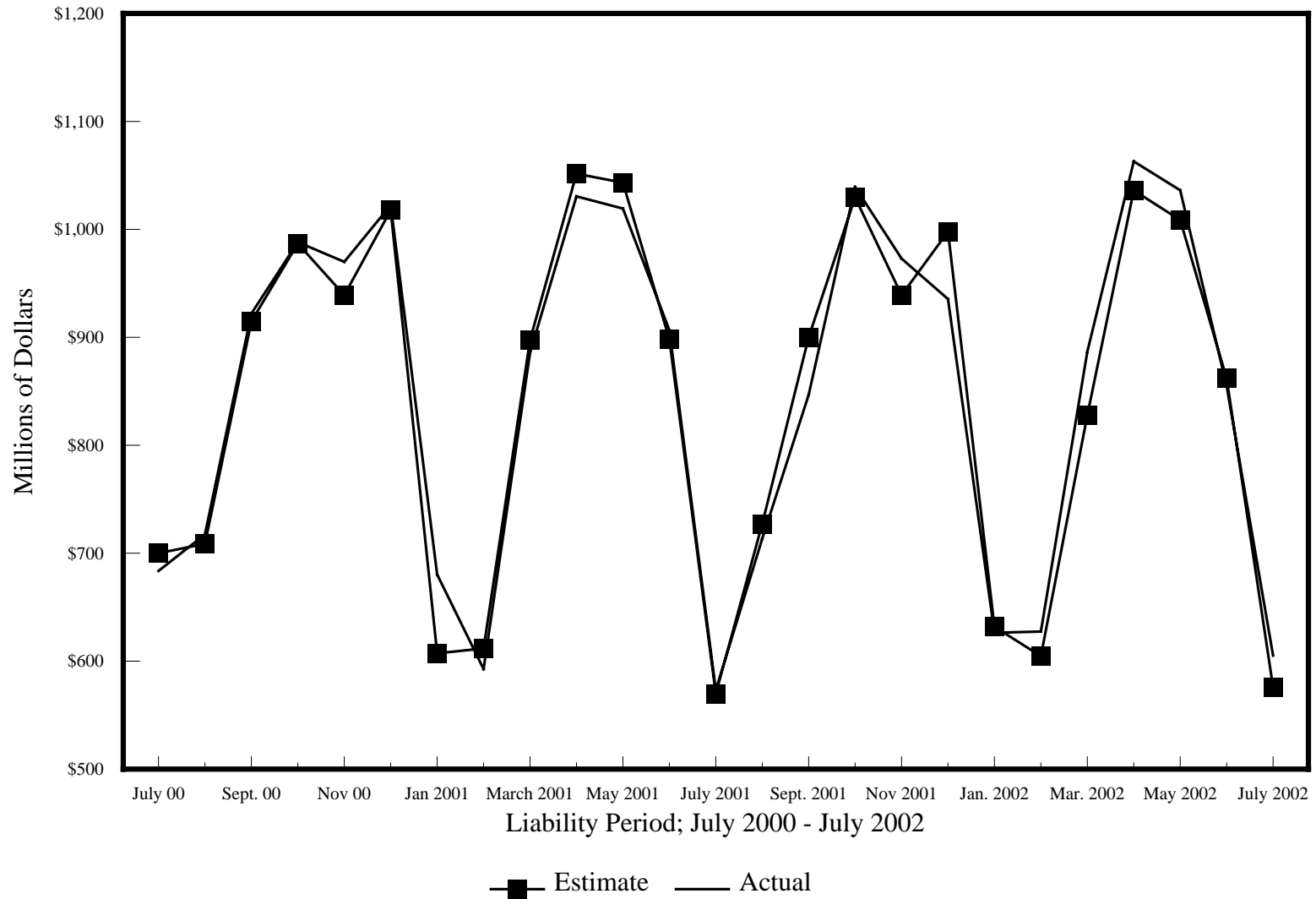
3 Cumulative variance for since the June 2002 forecast: June 11 - August 10, 2002 & revisions to history.

4 Cumulative variance: since the June 2002 forecast (June & July 2002) & revisions to history.

* Revenue consists of the retail sales, B&O, use, public utility and tobacco products taxes, and penalty and interest payments for these taxes.

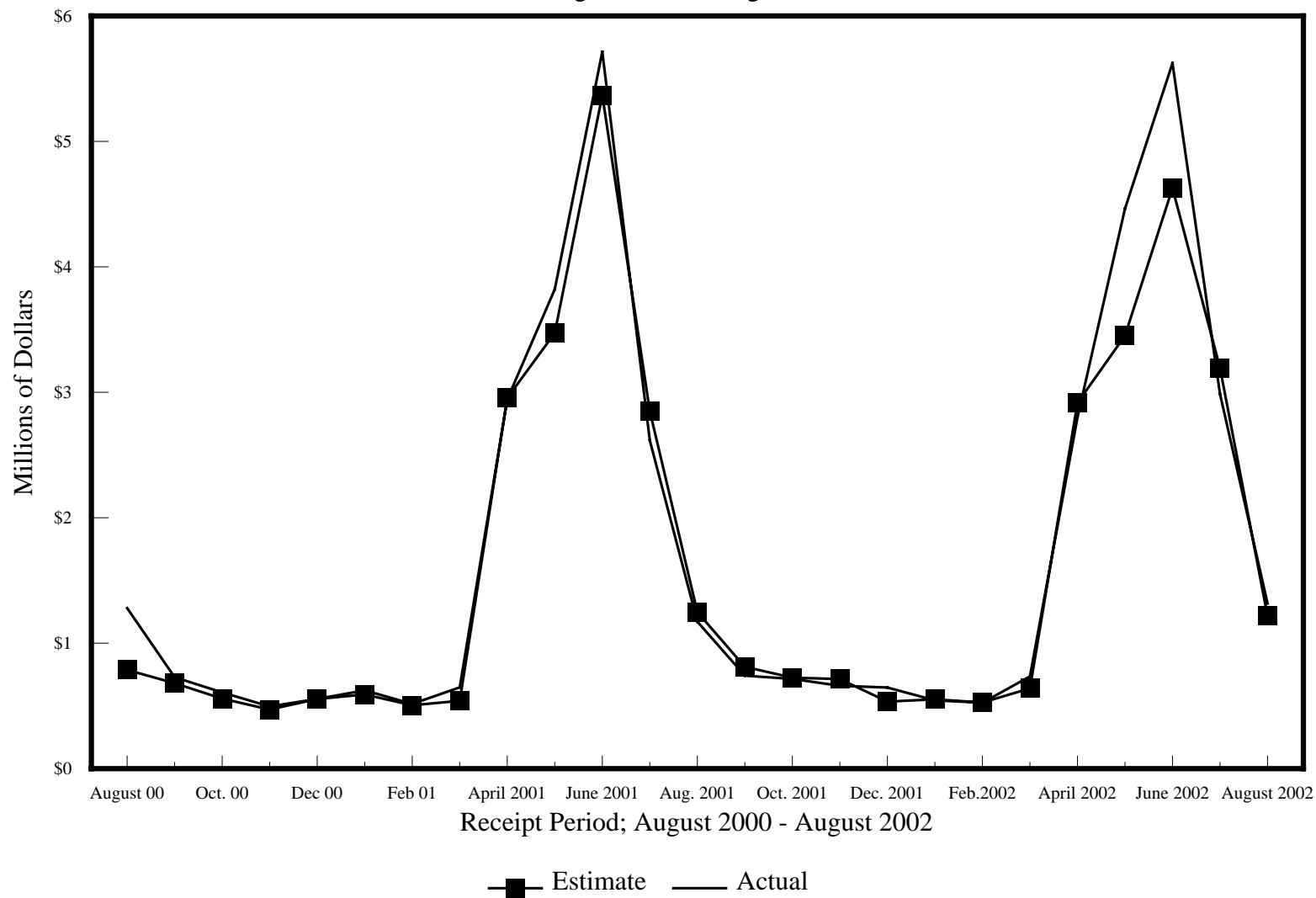
Department of Revenue: General Fund-State, Actual vs. Estimate

July 2000 to July 2002



Department of Licensing General Fund-State, Actual vs. Estimate

August 2000 to August 2002



Revenue Act Net Collections

Year-over-Year Percent Change

